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GENERAL

1. Rumania offers scarce grain for Austrian steel and machinery:

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Rumania has offered Austria \$8,500,000 worth of grain, to be delivered during 1953, in exchange for semi-fabricated and construction steel and large amounts of machinery.

Comment: Despite this year's severe drought and resultant poor crop, there is as yet no indication that the Rumanians will reduce the grain exports which help pay for goods needed in their industrialization program.

The Rumanian grain offer would include approximately 30,000 tons of wheat, 25,000 tons of rye, and over 20,000 tons of corn.

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NEAR EAST - AFRICA

4. French Ambassador fears consequences of Egyptian outcry against French imperialism:

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Ambassador Caffery in Cairo reports that his French colleague has refused to accept a "rudely worded" note expressing Egyptian concern over developments in Tunisia and Morocco.

The French Ambassador has informed Paris of the danger of a "sort of holy war" against French imperialism. He also fears that fanatics in the Moslem Brotherhood may organize commando groups to participate in a liberation movement in Tunisia.

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Comment: A similar note expressing Egyptian dissatisfaction with Great Britain's vote in the UN on the Palestine resolution was recently handed to the British Ambassadors in Cairo and other Arab capitals.

While the Moslem Brotherhood did organize "commando groups" against the British in the Suez Canal zone last year, it is doubtful that such untrained units could effectively undertake a military operation as far away as Tunisia.

5. British reject cotton stockpiling as means to assist Egypt:

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The British Government has decided that it cannot purchase Egyptian cotton for stockpiling, and that it will not put pressure on the British Raw Cotton

Commission to dispose of Egyptian stocks.

British Foreign Office and Treasury officials are now studying the possibility of an additional sterling release to Egypt beyond the 10,000,000 pounds already scheduled for January under existing agreements, and hope to have concrete suggestions ready for discussion in the forthcoming Anglo-American talks on Egypt in London.

6. Egypt protests delay in Sudan negotiations:

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The Egyptian Government on 22 December delivered a note to British Ambassador Stevenson protesting the prolonged negotiations on the Sudan. Stevenson has

indicated that his latest meeting with General Nagib failed to achieve any substantive progress on the remaining points of difference between Britain and Egypt.

Nagib and Stevenson, however, have agreed to issue an "optimistic" joint communique indicating that they are close to agreement in order to allay public opinion in Egypt and the Sudan.

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7. Egypt reportedly prepared to return to "national struggle":

[Redacted]

General Nagib has told Ambassador Caffery that British tactics on the Sudan negotiations are obstructive. He indicated that if an agreement with Britain is not reached, he will return to "unity of the Nile" and the title of "King of the Sudan" as the basis for future efforts.

A senior official of the Egyptian Ministry of Foreign Affairs is quoted to the effect that Egypt is preparing to revert to the "national struggle" if efforts to reach a settlement with the British prove futile.

Comment: Other reports indicate that the military regime is disappointed with the results of its moderate policy on the Sudan.

A return to the popular theme of "national struggle" might gain the support of extreme nationalist elements within Egypt and distract attention from the increasing internal problems. There is no firm indication, however, that a drastic change in Egyptian policy is imminent.

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8. Turkish-Yugoslav military talks stall at first meeting:

[Redacted]

The Turkish Ambassador in Belgrade told Ambassador Allen on 22 December that the Turkish-Yugoslav defense-planning talks had stalled at the first meeting.

Although both Turkey and Yugoslavia expressed a willingness to "proceed far," neither side was ready to submit a plan for discussion.

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WESTERN EUROPE

9. French deputies see possibility of coalition based on Popular Republicans and Gaullists:

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[Redacted]

Some French National Assembly deputies are predicting that secret negotiations between the Popular Republicans (MRP) and Gaullists will result in the selection of a new premier within the next two weeks.

MRP President Teitgen believes that the Gaullists' bargaining position is so weak that he would need to offer them nothing in return for their support.

Comment: Anti-Pinay negotiations between the Gaullists and MRP elements in Pinay's government were reported as long ago as October. The former are under popular pressure to participate in a new middle-of-the-road government.

While the two parties generally see eye to eye on domestic social problems, there is little likelihood of their reaching agreement on foreign policy unless the Gaullists modify their opposition to EDC.

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